TAB

CIA RETIREMENT ACT

Implications of the Daniels Bill and Course of Action

1. The Central Intelligence Agency Retirement Act of 1964 for Certain Employees minimizes the adverse effects of managed attrition by providing a basis for separating employees with honor and with adequate benefits. It also provides for the dignified retirement of employees no longer able to face the demands of rigorous, unusual, or semi-hazardous assignments.

2. Retirements under the CIA Retirement Act are distinguished from normal retirements under the Civil Service Retirement Act (which covers the majority of CIA employees) principally because they may be authorized or directed short of the normal full-term Government career.

3. A necessary corollary to the possibility of a foreshortened career under the Act is that retirement benefits will be at least as good, qualitatively, as civil service retirement benefits and that any relative advantage will be preserved. Any absolute or relative erosion in this respect tends to undermine the credibility of the retirement program established under the Act and its effectiveness as a management tool.

4. Experience has demonstrated that the Act has served management well as one tool to assist in coping with the BALPA exercise and other budgetary and personnel restrictions. While the Act appears to be serving the best interests of the Agency, and the employees, annuitants and survivors involved, its viability in the light of developments concerning the civil service retirement system is no longer assured.

5. Recently, hearings were completed on the Daniels bill, H.R. 770, and a clean bill, H.R. 9825, was introduced on 2 April which improves the financing and funding practice of the civil service retirement system and liberalizes civil service retirement benefits (see attachment A). Similar legislation passed the House last Congress. When the CIA Retirement Act of 1964 for Certain Employees was enacted there existed a 3.75 percent

computation advantage over civil service, discounting deduction for early retirement. Should the Daniels bill be enacted in its present form, this relative advantage will be completely eliminated and converted into an estimated computation disadvantage as large as 3.42 percent, in other words a relative loss of 7.17 percent (see attachment B). In addition, the CIA retirement annuity will be further eroded by an estimated 1 percent each year due to the new formula for cost-of-living adjustment of annuities.

6. The CIA Retirement Act is based squarely on the provisions of the Civil Service Retirement Act being changed by the Daniels bill. A change for one has equal merit for the other. Failure to keep pace with a development of the proportion found in the Daniels bill could have a catastrophic effect on employee confidence, the effectiveness of the CIA Retirement Act as a management tool, and the Agency's entire retirement program.

~~7. Change is a constant factor of retirement legislation. In addition to the possibilities presented by the Daniels bill, six other changes in the civil service retirement system enacted since 1964 require conforming amendments to the CIA Retirement Act. This suggests the need for a new legislative approach to match the dynamics of the problem of keeping the CIA Retirement Act up-to-date with the Civil Service Retirement Act, efficiently and effectively. (See attachment C.)~~